

BEFORE THE IDAHO BOARD OF TAX APPEALS

JUPITER, LLC,)	
)	
Appellant,)	APPEAL NO. 14-A-1110
)	
v.)	FINAL DECISION
)	AND ORDER
BANNOCK COUNTY,)	
)	
Respondent.)	
)	
)	
)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bannock County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RPTAS005401. The appeal concerns the 2014 tax year.

This matter came on for hearing October 29, 2014 in Pocatello, Idaho before Board Member David Kinghorn. Manager Gary Clark appeared at hearing for Appellant. Assessor Dave Packer represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market value of an improved commercial property.

The decision of the Bannock County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$136,563, and the improvements' valuation is \$608,156, totaling \$744,719. Appellant contends the correct land value is \$45,000, and the improvements' value is \$400,000, totaling \$445,000.

The subject property is a 9,426 square foot office building constructed in 1999. Subject is situated on a 28,750 square foot parcel located in Pocatello, Idaho.

Appellant explained since the prior tenant moved out more than two (2) years ago, the building has mostly remained vacant. Appellant described the location as having low visibility and desirability due to its location behind other buildings and surrounded by mostly residential properties. Appellant also explained the cost of tenant improvements needs to be taken into consideration. It was contended the property was substantially over-valued.

Appellant testified the 2013 net operating income for subject was a negative \$5,051. Appellant reported subject currently only had one (1) tenant in the building, which equates to 84% vacancy. Subject currently has space offered at \$8 per square foot.

Respondent provided four (4) vacant commercial land sales to support subject's land value. The sales took place between 2007 and 2013. Sale price rates were between \$10 and \$13 per square foot. Respondent also provided a cost approach for the improvements. Respondent calculated a base replacement cost new of \$968,521 for the 9,426 square foot structure and \$31,050 for the asphalt paving. A depreciation factor of 40% was used, resulting in a total improvement value of \$599,743.

Respondent also supplied information on two (2) 2012 improved commercial sales. The first sale was a 14,668 square foot building constructed in 2004 with a sale price of \$1,800,000, or \$67 per square foot net of land value. The second sale was a 30,824 square foot building built in 2003 which sold for \$2,400,750, or \$78 per square foot. This sale building was situated on leased land.

For the income approach, Respondent estimated a market rent of \$10 per square foot and derived a potential gross income amount of \$92,260. Respondent factored in a 15% vacancy rate, 25% for operating expenses, and \$1,885 for replacement reserves. An 8.5%

overall capitalization rate was applied which resulted in a total value of \$643,186. Respondent acknowledged subject is 84% vacant, however relied on market vacancy rates rather than subject's specific vacancy.

The total value reached in Respondent's analysis for subject's land and improvements was \$775,947, which is near the actual total assessed value of \$744,719.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2014 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. In a unique way, each approach considers the available information on recent comparable sales.

Using the three (3) approaches to value, Respondent concluded a total value of \$775,947 for both land and improvements. The Board appreciated the market information provided by

Respondent, however, we find some issues with the analysis. First, the sales comparison approach used larger and newer buildings to compare with subject. Secondly, Respondent's income approach only factored in 15% vacancy when subject is and has been over 60% vacant for a couple of years. Subject may have potential for higher income, however, as Subject's actual income indicated it is operating at a deficit. Although Respondent relied on several market based inputs, we failed to see where Respondent duly recognized the location factors subject faces.

Appellant did not provide reliable market data to support the value claim of \$445,000. However, from the testimony provided subject was shown to be hindered by its location and the necessity for improvements in securing tenants. We find Respondent did not adequately consider these attributes and find an adjustment is warranted.

In appeals to this Board, the burden is with the Appellant to establish error in subject's assessed value by a preponderance of the evidence. Idaho Code § 63-511. The burden of proof was satisfied in this instance. As such, the decision of the Bannock County Board of Equalization is modified to reduce subject's improvements' value to \$550,000, with no change to the land valuation, for a total assessed value of \$686,563.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bannock County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a total assessed value of \$686,563.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from

Appellant.

DATED this 17th day of March, 2015.